BALANCED BUDGET RECONCILIATION/Dairy Exports

SUBJECT: **Balanced Budget Reconciliation Act of 1995 . . . S. 1357. Domenici motion to waive the Budget Act for the consideration of the Cochran/Jeffords amendment No. 5004.**

ACTION: MOTION AGREED TO, 65-34

SYNOPSIS: As reported, S. 1357, the Balanced Budget Reconciliation Act of 1995, will result in a balanced budget in seven years, as scored by the Congressional Budget Office (CBO). The bill will also provide a $245 billion middle-class tax cut, $141.4 billion of which will be to provide a $500 per child tax credit.

The Cochran/Jeffords amendment would create a class IV export class for powdered milk and butter (dairy farmers would be assessed to pay for the cost of this export class). The amendment would also authorize the Northeast Interstate Dairy Compact, which would have authority to oversee the pricing for fluid milk produced in the 6 New England States.

The amendment was offered after all debate time had expired. However, 1 minute of debate was permitted on the amendment, and statements on it were inserted into the record. Following debate, Senator Exon raised a Budget Act point of order that the amendment was not germane. Senator Domenici then moved to waive the Budget Act for the consideration of the amendment. Generally, those favoring the motion to waive favored the amendment; those opposing the motion to waive opposed the amendment.

NOTE: A three-fifths majority (60) vote of the Senate is required to waive the Budget Act. Following the vote, the amendment was adopted by voice vote.

Those favoring the motion to waive contended:

This amendment has two parts. First, it would enact a new export promotion program that would be fully consistent with the General Agreement on Tariffs and Trade (GATT). That program would create a farmer-financed mechanism to boost exports of powdered milk and butter. The reconciliation bill before us will cut the existing dairy program by 49 percent over 7 years. That cut will come on top of the 69 percent cut that has been made in the dairy program over the past 10 years. The bill is not even-handed--it

(See other side)

YEAS (65)				NAYS (34)		NOT VOTING (0)	
Republican (34 or 64%)		Democrats (31 or 67%)		Republicans (19 or 36%)	Democrats (15 or 33%)	Republicans (0)	Democrats (0)
Ashcroft	Inhofe	Akaka	Inouye	Abraham	Bingaman		
Bond	Jeffords	Baucus	Johnston	Bennett	Bradley		
Burns	Kassebaum	Biden	Kennedy	Brown	Conrad		
Campbell	Kempthorne	Boxer	Kerry	Coats	Dorgan		
Chafee	Lott	Breaux	Leahy	DeWine	Exon		
Cochran	Lugar	Bryan	Lieberman	Dole	Feingold		
Cohen	Mack	Bumpers	Mikulski	Frist	Glenn		
Coverdell	McCain	Byrd	Moynihan	Grams	Harkin		
Craig	McConnell	Daschle	Murray	Grassley	Kerrey		
D'Amato	Murkowski	Dodd	Nunn	Hatch	Kohl		
Domenici	Shelby	Feinstein	Pell	Hatfield	Lautenberg		
Faircloth	Smith	Ford	Pryor	Kyl	Levin		
Gorton	Snowe	Graham	Reid	Nickles	Moseley-Braun		
Gramm	Stevens	Heflin	Robb	Pressler	Simon		
Gregg	Thomas	Hollings	Rockefeller	Roth	Wellstone		
Helms	Thurmond		Sarbanes	Santorum			
Hutchison	Warner			Simpson			
				Specter			
				Thompson			

EXPLANATION OF ABSENCE:
1—Official Buisiness
2—Necessarily Absent
3—Illness
4—Other

SYMBOLS:
AY—Announced Yea
AN—Announced Nay
PY—Paired Yea
PN—Paired Nay

will eliminate support for butter and nonfat dry milk, but it will retain support for cheese. As a result, prices for butter and nonfat dry milk will plummet. Unless farmers can find new, foreign markets for butter and dry milk, and thus keep prices up, they will start turning more milk into cheese. This result, in turn, will result in greater commodity purchases of cheese--the Congressional Budget Office estimates $233 million more would have to be spent on cheese purchases in the next 7 years. The solution offered by this amendment would be instead to make the industry support itself by supporting this new export promotion program, thereby keeping up prices for butter and dry milk and lessening the amount of cheese purchases that the Federal Government would otherwise have to make.

The second part of the Cochran amendment would be to authorize the Northeast Interstate Dairy Compact. This proposed compact, which has the support of the Governors of the six New England States that would be in it, would provide for regional pricing for fluid milk only in the New England area. New England dairy farms have been going bankrupt at an alarming rate. The decline is attributable to low and volatile dairy prices under the Federal marketing order program that do not reflect the costs of production in the region. Because New England farmers sell much of their milk in the fluid milk market, they face substantially higher costs to get their milk to processing plants. In response to this farm crisis, the six New England States negotiated an interstate compact in 1993 that allows them to add, if they choose, an additional increment to the Federal marketing order price in their States. This problem is regional in every sense. Approximately 75 percent of the milk processed in New England comes from New England farmers, and 97 percent of the milk consumed in New England comes from New England processors. This market is a closed, regional market that should be able to set its own milk prices instead of having those prices set by the Federal Government.

Senators who favor making America more competitive internationally should favor this amendment. Senators who also believe in the rights of States in a region to join together to set their own policies should also vote in favor of this amendment. Finally, Senators should keep in mind that this amendment would reduce Federal expenditures by reducing cheese purchases by $233 million. The Jeffords' amendment is pro-farmer, pro-taxpayer, and pro-States' rights. It merits our strong support.

Those opposing the amendment contended:

The Jeffords amendment is special interest legislation at its worst. It has two parts, both of which are designed to benefit specific regional dairy interests at the expense of all other dairy producers in the United States. Even worse, one part of this amendment creates a new, congressionally sanctioned barrier to interstate trade that may serve as a precedent to end the 200 years of free commerce between the States. If other industries try to follow the lead of this amendment, as we are certain that they will, the United States will end up in a complex maze of balkanized trade zones, and our economy, and indeed our union, will be greatly weakened.

The first section will place a tax on all dairy producers to subsidize an export promotion program for dry milk and butter. Two Northwestern States dominate the dry milk market. Thus, dairy farmers everywhere in the country will be asked to support these two States. Our colleagues justify this increase because S. 1357 will remove price supports for these products. We do not think there should be government price supports, and we do not think that there should be private price supports paid for by the farmers in our States either.

The second, more problematic part of this amendment is its seal of approval for the New England Interstate Dairy Compact. This approval is necessary for the compact to even exist, because it is a restraint on interstate commerce, and only Congress may constitutionally impose any restraints on interstate commerce. Our colleagues have stated that the price fixing scheme for this compact will have an effect only in New England, but they are wrong. The compact will allow for an increase in the fluid milk differential of up to $17.40 per hundred pounds of milk, or, in terms of gallons, $1.50 per gallon. Further, it will peg the allowable increase to the Consumer Price Index. The result of higher milk prices for the producers in the six States within the compact will of course be higher production and greater exports to other States, driving down milk prices in those other States. We think that the current, anachronistic, Federal milk pricing scheme is bad enough without starting down the road of letting States set up their own pricing schemes. The Federal Government enacted the current policy in the Great Depression as a desperate measure for desperate times to save dairy farms around the country that could not compete with the farms in the northern Mid-West. That policy has survived as a restraint on trade for the past 60 years. We should totally eliminate it, rather than relinquish Federal control over setting its interstate trade barriers. Congress has approved many interstate compacts in the last 200 years, generally on such matters as boundaries and pollution control. However, it has never before approved a compact to conduct a price-fixing scheme that hinders interstate trade.

Unfortunately, we do not believe we have the votes to prevent passage of this amendment. We hope, though, that our colleagues will consider our objections, and try to find a means of reducing the burdens this amendment would place on most dairy farmers, and, more importantly, try to find an alternate way of helping New England dairy farmers, if they must insist on providing that help.